years go by. From one point of view this might be called compulsory revenue, but this would be to prevent the accepted meaning of that word as used in defining a tax. Again, under the head of compulsory revenue our author includes revenue by eminent domain. One may inquire if the taking of private property for a public purpose according to the principles of eminent domain may properly be classified as revenue at all. Is it not rather a coerced exchange of property?

The chief question which arises in connection with this classification, however, pertains to the use which is made of the term "price." Professor Adolf Wagner conceives that in case a government undertakes an industry the charge made for the service or the commodity sold is in all respects a price, and his discussion adjusts itself to the thought that a government may perform an industrial service in exactly the same way as an individual or a corporation. While Professor Seligman stops short of this extreme statement, he does recognize a "quasi-private price." This position is at least open to question and the opinion is here ventured that better results will be attained by adjusting a science of finance throughout to the conception that all acts of the State, whether industrial or not, rest upon an entirely different basis from acts of individuals or corporations. The chief point at issue between the author and other writers pertains to the recognition of a "fee" as a form of revenue. In this I am inclined to agree with Professor Seligman. Fees are a distinctive form of revenue and wherever legitimately used bring into the foreground a peculiar and characteristic set of relationships.

In general one may say that whatever points in these Essays are open to question, are so, because each essay was written as an independent discussion upon a selected topic. It is quite possible that here and there thoughts have been expressed which would be modified if the requirements of a comprehensive fiscal analysis were held in mind. As a whole this volume consitutes the most important contribution to the science of finance which has thus far appeared from the pen of an American author.

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Studies in Economics. By WILLIAM SMART, M. A., LL. D. Lecturer on Political Economy in the University of Glasgow. Pp. x, 341. Price, $2.75. London and New York: Macmillan & Co., 1895.

This book is one of the best fruits of the newer subjective movement in economic science. Professor Smart is one of those fortunate economists who have had large business experience before studying

practical life as a science. In his most abstract thinking he retains his clear grasp of concrete things. He uses the deductive method, not as a mere mental exercise, but as a powerful thought-instrument in the scientific explanation of actual life. These studies will impress theorist and statistician alike with their candor, their sober sense, their keen analytical power, their reliance upon observed fact, their clear and vigorous statement, and, it is hoped, with the general correctness of their conclusions. While relentless in their devotion to fact, they are beautified throughout by a noble sympathy for the less fortunate among men. This sympathy is not a blind or cheap sentimentality. It is a deep and vivid realization of the essential worth and the high capability of human life.

Of these ten essays, five have already appeared, substantially in their present form, in various periodicals, English and American. Four of the ten are studies in "Wages," three in "Currency," and three in "Consumption."

The first essay, entitled "The Standard of Comfort," contains a theory of wages. The object is to effect a reconciliation between the older "cost" theory of wages and the newer "productivity" theory. Along lines of reasoning already made familiar by Professor Smart's translations of Böhm-Bawerk and his own writings, he shows how wages can be fixed only by the value of labor conducted back from the value of the product of labor. It is the "national dividend" or the aggregate of consumption goods "which gives value to the land, the capital and the labor that produce it. It defines the value of the productive factors because it is directly their product. And it limits the value of these factors, inasmuch as that value cannot exceed the value of the dividend."

From this he concludes that the *absolute* value of labor, as well as of the other factors, can only be increased by an increase in the national dividend produced, while the *relative* value of labor may increase, dividend remaining the same, only at the expense of land or capital. It is possible also that labor "may get a double share; that is, may get a larger comparative share, while the share itself is absolutely greater." In all this it is seen that the amount of the national dividend fixes a limit to the rise of wages and profits, which "is no less inflexible that it is unseen." If more of this dividend be spent on the return to capital, less must be spent on wages.

This consideration introduces the conception of "cost." Labor in any line of production has a certain "cost," at any given time, equivalent to the value of its product in another line of production. If in a new country a manufacturer starts a factory, he must count as the cost of labor at least the rate of agricultural wages. The rate of agricultural

wages, which thus figures as a cost and gives value to manufacturing labor, has, it is true, itself been determined by the marginal productivity of the labor in agriculture. But it is a cost which determines the value of labor in manufactures. Consumers cannot get these goods unless they will pay a price which will give to labor at least this cost price.

This is the reconciliation between the cost and the productivity theories of wages. As a cost it determines the value of the manufacturing labor. But its value has itself been determined by its product in agriculture. Professor Smart expressly repudiates that conception of cost which makes it mean the cost of producing the laborer and thus furnishes a basis for a national wage. He also expressly repudiates the conception of cost as pain. This latter idea is fundamental in his system. Work, in his view, is not necessarily a pain. He is optimistic enough to think it not impossible that men may some day have only that amount and kind of work to do which will be in itself purely pleasurable. He recognizes clearly the fact that much of the work of the world is now in itself a pleasure and that all attempts to build a theory of wages based upon the relation between the pain-cost of labor and the value of the product of labor are futile.

The doctrine that the standard of comfort determines wages is true, he claims, to the extent that it corresponds with this "cost price of labor." "The minimum wage which the worker should get is determined by the laborer's standard of comfort, not because the laborer may demand a certain standard and by refusing to accept less may force it from an unwilling employer, but because this standard is what the unconscious working out of the distribution problem by competition puts to the credit of the worker, among the other factors, as his own product." Thus he reconciles Ricardo and Wieser. His law of wages is then, as he himself acknowledges, substantially the same as that of Professor J. B. Clark, "that wages depend on the value that the final unit of labor can create in the general system of affiliated industries."

Professor Smart draws two very important conclusions from his discussions, namely, that this "cost" furnishes "a true irreducible minimum" wage, and that under present conditions wages tend to rise both absolutely and relatively. "Not only is the national dividend larger but the worker gets a larger share of it." The latter proposition he bases upon the fact that wealth is increasing much more rapidly than population.

In this reasoning about the relation of profits to wages we see how Smart is really going back to the principles of Mill and Ricardo. And in the doctrine that the present relatively slow increase of

population as compared with that of capital is giving a relatively larger wage to the worker, we find the neglected side of the theory of population—the truth, namely, that when, as now, the capabilities of the growth of capital outrun those of population, we need not preach damnation to the parents of large families.

The essay entitled " A Mere Commodity " is the best discussion of the nature of money which has appeared in recent years. He shows how misleading is the conception of money as a "mere commodity," and he gives us the happy definition of money as the "universal commodity." This essay has already been widely read in the *Fortnightly Review*. It is better therefore to give more extended notice to the second of the studies in currency, bearing the title, "Must Prices Fall?" In an argument of unsurpassed clearness and force he demonstrates that a fall in the general level of prices can result only from a scarcity in the currency. Improvements in production cannot cause a fall in the level of prices, but only in the prices of particular goods. So soon as the improvement is extended to the production of other goods the increase in these goods constitutes a new demand for the increased goods whose price first fell, thus tending to raise it. When the improvements become general, the general increase of all commodities will bring about the same general level of prices as before, assuming equal elasticity of demand in all goods. The assumption is also necessary that these improvements apply equally to the production of the money metal. The fact of a fall in the level of prices shows that the supply of the money metal has not increased *pari passu* with the increase in other commodities.

He claims that the present "cheapness" has benefited only two classes, " the working classes whose money wage is not reduced," and those to whom are "due debts measured in gold." And even with reference to these he adds: "But if low prices are coincident with irregular employment, and if the gain of the creditor endangers the solvency of the debtor, even these two classes may find that the balance swings against them."

In another essay, Professor Smart has a very ingenious explanation of the alleged phenomenon of general "over-production," in which he claims that the want of expansion of the currency, with expanding industry, presents the same phenomena as partial over-production, and is mistaken for general over-production. I shall not attempt to follow his argument, but wish simply to challenge his statement that general over-production is a contradiction in terms. He says: "There cannot be over-production of things in general for two reasons: first, that, while in comparison with other nations we are rich, we are absolutely, exceedingly poor; and second, that as new wants lead to

new activities, and new activities awaken new wants, there is an infinite field for extending the production of almost everything that satisfies any considerable human desire."

To point out the unlimited possibilities of development in "new wants" and "new activities" in the future does not prove that "general over-production" may not now exist. There are obviously very discernible limits to "wants and desires" as they exist at any given time. The consumptive capacity is limited, by limits physical and intellectual. The total consumptive capacity, physical, intellectual, æsthetic and religious, of the Australian savage is very limited compared with that of the Englishman. If the Australian, his wants and capacity to consume remaining the same, could suddenly be endowed with the productive power of the Englishman and should use it to its full capacity for a single year there would be possible a general over-production of a very considerable kind.

For production under present conditions there are necessary: (1) understanding of the kinds and quantities of goods wanted, and (2) ample productive power. All that would be necessary for a general over-production would be a general over-estimate as to the quantities of goods wanted. There would be a general excess of goods produced which, other things equal, would leave prices unchanged, while every producer would have goods in stock which no one would buy. That this state of things would tend to develop new wants is quite true. But that does not prove that "general over-production is a contradiction in terms." The case stated would leave society with a choice between two things—either to work less or to develop new wants. This is the margin of choice which lies eternally before individuals and races and upon the issue of which depends stagnation or progress. That such a general over-production ever does take place may well be denied. That it is conceivable, however, seems equally certain.

The studies in consumption are particularly fresh and suggestive. He attempts a new definition of the word "wealth" by including, not merely "the sum of exchange values" but those re-arrangements of natural conditions which, by creating "utilities," add to real wealth without increasing "valued assets." "The constant striving of economic progress is toward taking commodities out of the category of values and making them pure utilities like the rain and the sunshine."

The two essays, "New Wealth and Old" and "The Socializing of Consumption," aim to make clear that it is within the power of the owners of wealth to make society generally richer by their mode of consumption. By a wise consumption they may add continually to

the stock of "old" or "parent" wealth while enjoying a fuller stream of new wealth. Capital and consumption goods may be made to increase concurrently. By a wise consumption again they may put wealth in such forms, durable and non-exclusive, that others as well as themselves shall enjoy it. In his treatment of this topic he has contributed much more than his predecessors, Cantillon, Quesnay, Adam Smith and J. S. Mill. In reading, one feels that at last the subject of consumption is being approached from the right standpoint.

The attempt to distinguish between new wealth and old is not always successful. He leaves a sense of vagueness. Sometimes he seems to mean by "wealth," physical quantities, sometimes "utilities" or satisfactions, sometimes simply "values." What then is "old wealth" or capital? Is it concrete things, lands and machinery? Or does it include "conditions" which yield unvalued utilities? Or is it a simple sum of values? Again, what does it mean to "invest" new wealth? In what shape is this new wealth? And how can it be "saved" or thrown back into capital? If it is concrete things, machines, food, materials, to what uses can they be put? If it is a sum of value, does not this abundance of things tend to shrink it, if we try to make capital out of it? The only way of escape is to project our effective want farther into the future and to use these things to produce that which will supply wants more remote. Professor Smart fails to give that definiteness to his explanation of this process which it demands.

I have given this extended notice to Professor Smart's volume because it represents a movement in economic science of the very highest importance. The older economics of Ricardo and Mill looked at economic phenomena too exclusively from a physical standpoint. The Historical School, while giving more place to subjective motives, were yet so strongly under the influence of the evolutionary tendencies of the last half century that the laws of human society were looked at as substantially the same as the laws of organic life. The whole newer movement in economics, so well represented by the Austrian School, by Marshall and Clark and Patten, is rapidly restoring the balance. Human society is the creation of the human will. The motives and choices of individuals are the stuff which constitute the bonds of society. Society is not an "evolutionary" but a teleological structure. The fitness which makes social institutions persist is not that cart-before-the-horse fitness of physical evolution, but the preconceived fitness of economic utility. No writer of the newer school has more forcibly illustrated, than Professor Smart, how necessary it is, if we would understand social causation and development, to take this standpoint of the individual will and explain society and progress in terms of individual economic choice.

Professor Smart has, in these essays, demonstrated admirably the strength of the deductive-analytic method in certain fields of economic science. He has rare skill in seizing typical facts, in bringing them into relation with each other in such a way as to reach sound general law. His method does not involve ignorance of fact, or neglect of fact, for he shows everywhere that his typical fact is chosen because it is a well ascertained fact.

His work shows the synthetic tendency in the latest economics, a tendency to so use the results of particular research advocated by the historical school that the laws of the classical writers, so far as they contain truth for the present, can be restated in the setting of our new facts. In this way it is seen that the work of the classical school is not obsolete. There is a vital continuity running through their works, through the work of the historical school, and through the efforts of the Austrians. Writers like Smart are combining the strength in all these tendencies into a new method and a new science.

Some of the specific influences which have helped to form his work he himself mentions, his early and extensive business experience, his fondness for Ruskin and Carlyle, and his studies in the Austrian writers. Love for fact, keenness and power in constructive reasoning, and a spirit of broad humanity are all conspicuous traits of the writer. Add to these a terse, clear style, easy in movement, luminous in diction, ample, but never superfluous in content—the result is work of high merit. Little of importance can be said of it, which is not praise.

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Money and Banking. Illustrated by American History. By HORACE WHITE. Pp. 488. Price, $1.50. Boston: Ginn & Co., 1895.

Horace White has done for banking in the United States a work similar in some respects to that done by Mr. Breckenridge for banking in Canada. Mr. White's "Money and Banking," while not so thorough a treatise as Mr. Breckenridge's, has the advantage of a clear and taking style, is compact and well arranged, and its information is made accessible by an index. The book is divided into two parts. The first treats of the evolution of money and of the world's experience with the gold standard. The second treats of representative money, under this head being included all forms of fiat money and bank note issues. In the appendices are given accounts of bimetallist movements in Germany, a sketch of Mr. Shaw's "History of Currency," the Baltimore plan, and Secretary Carlisle's plan for revision of the national banking law, the gold price of greenbacks during suspension of specie payments, and the Gresham law. A handy bibliography closes the volume.